

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1832 - SB 2500

March 6, 2016

SUMMARY OF BILL: Establishes a franchise and excise (F&E) tax credit, for tax years beginning on or after January 1, 2017, equal to the amount of an educational donation made by a taxpayer to a local educational agency (LEA) or public school for qualified education expenses. Defines an “educational donation” as a gift or contribution of money from a taxpayer to, and for the benefit of, an LEA or a public school. Defines “qualified education expenses” as expenses incurred for the purchase of curriculum for use in character education, civic education, or STEM education, or expenses incurred for technology, including hardware, software, and infrastructure.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$9,855,100/FY17-18 and Subsequent Years

Increase Local Revenue – Exceeds \$3,285,000/FY17-18 and Subsequent Years

Assumptions:

- The number of taxpayers with F&E tax liability that will make an educational donation to an LEA or public school for qualified education expenses, the amount that such taxpayers will donate, and the frequency with which the taxpayers will choose to donate are unknown.
- Further, it is unknown how many taxpayers would make such donations under current law and how many will donate as a direct result of this bill.
- As a result, a precise fiscal impact cannot be determined. However, several assumptions were made in an attempt to approximate the impact of the proposed legislation.
- Based on information published by the National Center for Education Statistics, private revenue (including revenue from gifts, and tuition and fees from patrons) for public elementary and secondary schools in Tennessee is estimated to be \$459,443,000 in FY16-17 under current law.
- At least 10 percent of such revenue, or \$45,944,300 (\$459,443,000 x 10%), is estimated to be from gifts and contributions for qualified education expenses, as defined by this bill.
- The Council for Aid to Education reports that approximately 14.3 percent of total donations to colleges and universities in 2015 represented donations by corporations.

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- Assuming the same ratio for donations to public elementary and secondary schools, the total amount of annual donations in Tennessee that will qualify for the F&E tax credit under this bill is estimated to exceed \$6,570,035 ($\$45,944,300 \times 14.3\%$).
- It is further assumed that the amount of educational donations in Tennessee will increase by at least 50 percent, or \$3,285,018 ($\$6,570,035 \times 50\%$), as a direct result of this bill.
- The total decrease in state revenue, beginning in FY17-18, is estimated to exceed \$9,855,053 ($\$6,570,035 + \$3,285,018$).
- The total increase in local revenue, by virtue of qualified education donations, is estimated to exceed \$3,285,018, beginning in FY17-18.
- The requirements of the proposed legislation can be accomplished utilizing existing state and local resources. Any impact on state and local expenditures will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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